GOVERNMENT OF INDIA
CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION
LOK SABHA

STARRED QUESTION NO:367
ANSWERED ON:18.08.2000
FOOD POLICY
SUKDEO PASWAN;SUSHIL KUMAR INDORA

Will the Minister of CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Expenditure Reforms Commission has given certain suggestions to the Government regarding the food policy;

(b) if so, the details thereof;

(c) whether the Government have prepared an action plan to implement these suggestions;

(d) if so, the outlines of the action plan; and

(e) the date from which it is proposed to be implemented?

Answer

THE MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHANTA KUMAR)

(a),(b),(c),(d) & (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a),(b),(c),(d)&(e) OF STARRED QUESTION NO. 367 FOR ANSWER IN TH LOK SABHA ON 18-8-2000.

(a) & (b) : Yes, Sir. In order to contain the burgeoning food subsidy bill within accepted levels, Expenditure Reforms Commission (ERC) in its report on `Food Subsidy` has made a number of recommendations besides the recommendations which directly concern the determination of Food Corporation of India`s economic cost of wheat and rice. The details ofrecommendations are listed in Annexure.

(c), (d) & (e): While the Commission`s recommendations on readjustment/revision of economic cost of wheat and rice have already been accepted and implemented by the Government w.e.f 25.07.2000; thereby revising the economic cost of wheat and rice to Rs.830/- per qtl. for wheat and Rs.1130/- per qtl. for rice as against the estimated cost of Rs.900/- per qtl. for wheat and Rs.1180/- per qtl. for rice at the beginning of the current financial year, the other recommendations of the Commission entail inter-Ministerial/Departmental consultations and also consultations with the State Governments etc., before final views crystallize.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF STARRED QUESTION NO. 367 FOR ANSWER IN THE SABHA ON 18-08-2000.

RECOMMENDATIONS OF THE EXPENDITURE REFORMS COMMISSION (ERC)

1. The State Governments will have to put in major efforts for identifying the BPL population,giving them ration card and reaching the benefits intended for them in a transparent manner.

2. A national food security buffer stock of 10 million tonnes- 4 million tonnes of wheat and 6 million tonnes of rice should be maintained at all times.

3. The cost of holding the stocks in excess of the requirement for national food security and for PDS due to very generous minimum support prices based procurement policy, could be reflected in the Budget as producers` subsidy rather than consumer subsidy.

4. Inducing the State Governments and the private sector to enter into the foodgrains trade - procurement, storage as well as including exports, in an organized and big way by moderating the increase in MSP effected every year.

5. Freezing the MSP for paddy/rice and wheat in the forthcoming procurement seasons at the same level as fixed for the last procurement season and accepting the prices recommended by a body of experts like the CACP without making further increases.

6. State Government/private Sector with surplus foodgrains production could be allowed to procure, sell and also export upto 3 million tonnes of rice and 5 million tonnes of wheat every year and also that this policy will remain unchanged for at least 15 years and that in

the event of drop in foodgrains` production in any year, domestic consumption requirements would be met through imports.

7. Move towards a procurement price instead of minimum support price that will include the MSP as well as reasonable levels of taxes and other levies that can be imposed by the States, thus leaving it to the States to decide on what they should retain by way of taxes and levies and what should be passed on to the farmers.

8. Encouragement to rice procurement through levy route.

9. There be only one rate as is the case with wheat and that be the common variety alone.

10. Fixation of revised levy price with reference to strict quality standard may be announced before the coming season and levy percentage be fixed anywhere between 50%-70% as the miller may choose.

11. Speedy action to be taken on all cost reduction measures in respect of the Food Corporation of India as may be recommended by the Administrative Staff College of India, which is currently undertaking a study to suggest ways and means of reducing the economic cost.

12. Use of synthetic bag for procurement of rice.

13. The States which distribute quantities larger than what is allocated under BPL be paidcash instead of supply of foodgrains at subsidized rates for the BPL population. This would enable the States to procure the required foodgrains directly or through traders at competitive cost which may work out to be less than the economic cost of the FCI.

14. Only quantities sold through the PDS to APL and BPL population, and allocations madeto various welfare schemes and sales at the economic cost, should be taken into account for determining the distribution stocks.

15. Freight charges and transit losses to the extent of 1/3rd of the opening stock of buffer in addition to charging in full the transport cost and transit losses to the extent there is accretion to the buffer should be charged to buffer carrying cost as against the present practice of attributing the transportation cost entirely to distribution cost if there is no accretion to the buffer stock in a year.

16. Carry over charges in the form of storage and interest charges paid to the State agencies in the case of wheat for holding stocks beyond 30th June of a year should be charged to the buffer carrying cost instead of being accounted for as a part of pre procurement cost and thus included in the economic cost of wheat.

17. The benefit of stocks procured in the previous years at lower prices should be passed on to the beneficiaries by including it in the economic cost as against determination of the economic cost on the basis of MSP notified for a year.